

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 SAJ-01 DODE-00 PM-03

H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 STR-04 CEA-01

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P 181154Z JUL 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 3082

INFO AMCONSUL BOMBAY

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E.O. 11652 N/A

TAGS: EINV, CE

SUBJ: FNCB BRANCH PROPOSAL TURNED DOWN

1. IN LATE 1973 FIRST NATIONAL CITY BANK (FNCB) NEW YORK INVESTIGATED POTENTIAL FOR INCREASED LOAN AND CORRESPONDENT BUSINESS IN YI LANKA WITH VIEW OF OPENING EVENTUAL FULLSERVICE COLOMBO BRANCH. IN NOVEMBER 1974, FNCB VICE PRESIDENT GAVE CENTRAL BANK GOVERNOR WRITTENREQUEST TO OPEN BRANCH. THROUGHOUT, EMBASY HAS ASSISTED AND ENCOURAGED FNCB. PROBABILITY OF APPROVAL FOR BRANCH, WHICH APPEARED REASONABLE IN MID-1974, NOW HAS GROWN LESSAND LESS AS CLIMATE FOR PRIVATE ENTERPRISE HAS CONTINUED TO SUFFER UNDER STRONG LEFTIST PRESSURE.

2. WEEK OF JULY 7 LOCALPRESS ANNOUNCED THAT GSL HAD DENIED BRANCH REQUEST OF A "LEADING AMERICAN BANK - WHICH HAS BRANCHES ALL OVER

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ASIA". LSSP WEEKLY SUBSEQUENTLY PRAISED

DECISION AND USED OCCASION TO ATTACK IN-DIRECTLY CENTRAL BANK AND FOREIGN AND "LOCAL SERVILE" CAPITALISTS. IN MID-JUNE WE NOTIFIED FNCB REP IN BOMBAY THAT APPROVAL UNLIKELY BUT WE DO NOT KNOW IF GSL HAS FORMALLY INFORMED FNCB.

3. CENTRAL BANK GOVERNOR HERBERT TENNECUON SUGGESTED TO EMBASSY THAT FNCB MIGHT CONSIDER OPENING REPRESENTATIVE OFFICE WHICH MIGHT BE RAISED TO BRANCH WHEN CLIMATE MORE FAVORABLE. HOWEVER, IN LIGHT OF LSSP RHETORIC, PRESUMABLY REFLECTING PERSONAL VIEWS OF FINANCE MINISTER N.M. PERERA, THIS IS NOT OVERLY PROMISING.

4. EMBASSY CONTACTS DISAGREE AS TO WHETHER DECISION WAS TAKEN IN CABINET OR AT LOWER LEVEL BUT FINANCE MINISTER'S HAND WAS PROMINENT. SPATE OF RECENT AUTHORITIATIVE ARTICLES ON IMPENDING TAKE-OVER OF PRIVATE COMPANY OWNED

TEA ESTATES (REPORTED SEPTEL) HAS BEEN ACCCOMPANIED BY SPECULATION THAT FOREIGN BANKS MIGHT BE NEXT.
VAN HOLLEN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ESTABLISHMENT OF OFFICES, COMMERCIAL BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975COLOMB02263
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750251-0367
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750739/aaaabivs.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 AUG 2003 by ElyME>; APPROVED <01 DEC 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FNCB BRANCH PROPOSAL TURNED DOWN
TAGS: EINV, CE, FNCB-FIRST NATIONAL CITY BANK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006